

Introduced by Senator Ducheny

February 23, 2006

An act to amend Sections 14166.6 and 14166.7 of the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1520, as introduced, Ducheny. Medi-Cal: hospital funding demonstration project: University of California.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. This demonstration project provides for funding, in supplementation of Medi-Cal reimbursement, to various hospitals, including designated public hospitals, as defined in accordance with certain provisions relating to disproportionate share hospitals, and which include specified University of California hospitals. Existing law requires the Director of Health Services, with respect to each project year, to determine a baseline funding amount for each designated public hospital, and, with respect to each project year after the 2005–06 project year, to determine an adjusted baseline funding amount for each of these hospitals to reflect any increase or decrease in volume.

Existing law provides that, for the 2005–06 project year and subsequent project years, each designated public hospital shall be eligible to receive an allocation of federal Medicaid funding from the applicable federal disproportionate share hospital allotment. Existing law requires that this allocation to a designated public hospital, in combination with other specified funding sources, not exceed the baseline funding amount or adjusted baseline funding amount, as appropriate, for that hospital.

This bill would create an exception from this limitation for a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity. However, the bill would require that the sum of the above allocations made to each hospital in that hospital system, in combination with the sum of the other specified payments made to each hospital in that system, not exceed the sum of the individual baseline funding amounts, as appropriate, or individual adjusted baseline funding amounts for the hospitals in that system.

Existing law provides that, with respect to each project year, designated public hospitals, or governmental entities with which they are affiliated, shall be eligible to receive specified safety net care pool payments from the Health Care Support Fund. Existing law requires that the total amount of these payments to a hospital, in combination with other specified funds, not exceed the hospital's baseline funding amount or adjusted baseline funding amount.

This bill would provide that this limitation shall be considered satisfied in the case of a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity if the sum of the above safety net care pool payments made to each hospital in that hospital system, in combination with the sum of the other specified payments made to each hospital in that system, does not exceed the sum of the individual baseline funding amounts or individual adjusted baseline funding amounts for the hospitals in that system.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The University of California (UC) health system is the fifth
4 largest hospital system in California. The five academic medical
5 centers share, and collaborate toward, a common mission of
6 educating the next generation of health professionals, conducting
7 cutting edge research, and providing high-quality patient care.
8 Annually, the medical centers provide patient care services
9 valued at over \$3.8 billion.

10 (b) Successful implementation of the Medi-Cal
11 Hospital/Uninsured Demonstration Project, approved by the
12 federal Centers for Medicare and Medicaid Services, is critical to
13 maintaining essential community wide services provided by the
14 UC medical centers. The UC medical centers house 3,467
15 licensed acute care hospital beds and provide a broad array of
16 specialized services that are often not available elsewhere,
17 including trauma, burn, and cancer centers, high-risk obstetrics
18 programs, and neonatal intensive care units. The Medi-Cal
19 Hospital/Uninsured Demonstration Project must ensure that
20 Medi-Cal and uninsured patients have access to the tertiary
21 health care services offered at UC; specialized health care
22 services must be available to all patients.

23 (c) In order to ensure that Medi-Cal recipients and the
24 uninsured have access to basic and specialized hospital care, the
25 Medi-Cal Hospital/Uninsured Demonstration Project must ensure
26 that adequate numbers of health professionals are trained. The
27 UC medical centers offer more than 300 residency programs and
28 train almost one-half of all interns and residents in California.
29 The UC medical centers are among the largest teaching facilities
30 that will receive funding under the Medi-Cal Hospital/Uninsured
31 Demonstration Project.

32 (d) The five medical centers operate within the larger UC
33 health system and work collaboratively with UC's five medical
34 schools to achieve their mission of education, research, and
35 clinical care. UC's complex organizational structure may create
36 challenges to the medical centers under the Medi-Cal
37 Hospital/Uninsured Demonstration Project. These difficulties
38 would be addressed by clarifying that the five UC medical

1 centers are a system for the purposes of the Medi-Cal
2 Hospital/Uninsured Demonstration Project.

3 (e) By ensuring access to UC's tertiary care medical centers,
4 the State of California works to improve the health of Medi-Cal
5 and uninsured patients. It is appropriate to regard the five UC
6 medical centers as a hospital system under the Medi-Cal
7 Hospital/Uninsured Demonstration Project in order to ensure
8 adequate resources are available to work toward this goal.

9 SEC. 2. Section 14166.6 of the Welfare and Institutions Code
10 is amended to read:

11 14166.6. (a) For the 2005–06 project year and subsequent
12 project years, each designated public hospital described in
13 subdivision (c) of Section 14166.3 shall be eligible to receive an
14 allocation of federal Medicaid funding from the applicable
15 federal disproportionate share hospital allotment pursuant to this
16 section. The department shall establish the allocations in a
17 manner that maximizes federal Medicaid funding to the state
18 during the term of the demonstration project, and shall consider,
19 at a minimum, all of the following factors, taking into account all
20 other payments to each hospital under this article:

21 (1) The optimal use of intergovernmental transfer-funded
22 payments described in subdivision (d).

23 (2) Each hospital's pro rata share of the applicable aggregate
24 designated public hospital baseline funding amount described in
25 subdivision (d) of Section 14166.5.

26 (3) (A) That, *unless the circumstances described in*
27 *subparagraph (B) apply*, the allocation under this section, in
28 combination with the federal share of certified public
29 expenditures for Medicaid inpatient hospital services for the
30 project year determined under subdivision (a) of Section
31 14166.4, any supplemental reimbursement for professional
32 services rendered to hospital inpatients determined for the project
33 year under subdivision (e) of Section 14166.4, and the
34 distribution of safety net care pool funds from the Health Care
35 Support Fund determined under subdivision (a) of Section
36 14166.7, shall not exceed the baseline funding amount or
37 adjusted baseline funding amount, as appropriate, for the
38 hospital.

39 (B) *In the case of a designated public hospital that is part of a*
40 *hospital system containing multiple designated public hospitals*

1 *licensed to the same governmental entity, the allocation under*
2 *this section shall be considered to have satisfied the limitation*
3 *described in subparagraph (A) if the sum of the allocations made*
4 *under this section to the hospitals in that hospital system, in*
5 *combination with the sum of all other payments described in*
6 *subparagraph (A) made to the hospitals in that system, does not*
7 *exceed the sum of the individual baseline funding amounts or*
8 *individual adjusted baseline funding amounts, as appropriate, for*
9 *the hospitals in that system.*

10 (4) Minimizing the need to redistribute federal funds that are
11 based on the certified public expenditures of designated public
12 hospitals as described in subdivision (c).

13 (b) Each designated public hospital shall receive its allocation
14 of federal disproportionate share hospital payments in one or
15 both of the following forms:

16 (1) Distributions from the Demonstration Disproportionate
17 Share Hospital Fund established pursuant to subdivision (d) of
18 Section 14166.9, consisting of federal funds claimed and
19 received by the department, pursuant to subparagraphs (A) and
20 (C) of paragraph (2) of subdivision (a) of Section 14166.9 based
21 on designated public hospitals' certified public expenditures up
22 to 100 percent of uncompensated Medi-Cal and uninsured costs.

23 (2) Intergovernmental transfer-funded payments, as described
24 in subdivision (d). For purposes of determining whether the
25 hospital has received its allocation of federal disproportionate
26 share hospital payments established under this section, only the
27 federal share of intergovernmental transfer-funded payments
28 shall be considered.

29 (c) The distributions described in paragraph (1) of subdivision
30 (b) may be made to a designated public hospital independent of
31 the amount of uncompensated Medi-Cal and uninsured costs
32 certified as public expenditures by that hospital pursuant to
33 Section 14166.8, provided that, in accordance with the Special
34 Terms and Conditions for the demonstration project, the recipient
35 hospital does not return any portion of the funds received to any
36 unit of government, excluding amounts recovered by the state or
37 federal government.

38 (d) Designated public hospitals that meet the requirement of
39 Section 1396r-4(b)(1)(A) of Title 42 of the United States Code
40 regarding the Medicaid inpatient utilization rate or Section

1 1396r-4(b)(1)(B) of Title 42 of the United States Code regarding
2 the low-income utilization rate, may receive intergovernmental
3 transfer-funded disproportionate share hospital payments as
4 follows:

5 (1) The department shall establish the amount of the hospital's
6 intergovernmental transfer-funded disproportionate share
7 hospital payment. The total amount of that payment, consisting
8 of the federal and nonfederal components, shall in no case exceed
9 that amount equal to 75 percent of the hospital's uncompensated
10 Medi-Cal and uninsured costs of hospital services, determined in
11 accordance with the Special Terms and Conditions for the
12 demonstration project.

13 (2) A transfer amount shall be determined for each hospital
14 that is subject to this subdivision, equal to the nonfederal share of
15 the payment amount established for the hospital pursuant to
16 paragraph (1). The transfer amount so determined shall be paid
17 by the hospital, or the public entity with which the hospital is
18 affiliated, and deposited into the Medi-Cal Inpatient Payment
19 Adjustment Fund established pursuant to subdivision (b) of
20 Section 14163. The sources of funds utilized for the transfer
21 amount shall not include impermissible provider taxes or
22 donations as defined under Section 1396b(w) of Title 42 of the
23 United States Code or other federal funds. For this purpose,
24 federal funds do not include patient care revenue received as
25 payment for services rendered under programs such as Medicare
26 or Medicaid.

27 (3) The department shall pay the amounts established pursuant
28 to paragraph (1) to each hospital using the transfer amounts
29 deposited pursuant to paragraph (2) as the nonfederal share of
30 those payments. The total intergovernmental transfer-funded
31 payment amount, consisting of the federal and nonfederal share,
32 paid to a hospital shall be retained by the hospital in accordance
33 with the Special Terms and Conditions for the demonstration
34 project.

35 (e) The total federal disproportionate share hospital funds
36 allocated under this section to designated public hospitals with
37 respect to each project year, in combination with the federal
38 share of disproportionate share hospital payment adjustments
39 made to nondesignated public hospitals pursuant to Section

1 14166.16 for the same project year, shall not exceed the
2 applicable federal disproportionate share hospital allotment.

3 (f) Each designated public hospital shall receive quarterly
4 interim payments of its disproportionate share hospital allocation
5 during the project year. The determinations set forth in
6 subdivisions (a) to (e), inclusive, shall be made on an interim
7 basis prior to the start of each project year, except that, with
8 respect to the 2005–06 project year, the interim determinations
9 shall be made prior to January 1, 2006. The department shall use
10 the same cost and statistical data used in determining the interim
11 payments for Medi-Cal inpatient hospital services under Section
12 14166.4, and available payments and uncompensated and
13 uninsured cost data, including data from the Medi-Cal paid
14 claims file and the hospital's books and records, for the
15 corresponding period.

16 (g) No later than April 1 following the end of the project year,
17 the department shall undertake an interim reconciliation of
18 payments based on Medicare and other cost, payment, and
19 statistical data submitted by the hospital for the project year, and
20 shall adjust payments to the hospital accordingly.

21 (h) Each designated public hospital shall receive its
22 disproportionate share hospital allocation, as computed pursuant
23 to subdivisions (a) to (e), inclusive, subject to final audits of all
24 applicable Medicare and other cost, payment, and statistical data
25 for the project year.

26 SEC. 3. Section 14166.7 of the Welfare and Institutions Code
27 is amended to read:

28 14166.7. (a) (1) With respect to each project year,
29 designated public hospitals, or governmental entities with which
30 they are affiliated, shall be eligible to receive safety net care pool
31 payments from the Health Care Support Fund established
32 pursuant to Section 14166.21. ~~The~~

33 *(A) Unless the circumstances described in subparagraph (B)*
34 *apply, the total amount of these the payments made pursuant to*
35 *this subdivision, in combination with the federal share of*
36 *certified public expenditures for Medicaid inpatient hospital*
37 *services determined for the project year under subdivision (a) of*
38 *Section 14166.4, any supplemental reimbursement for physician*
39 *and nonphysician practitioner services rendered to hospital*
40 *inpatients determined for the project year under subdivision (e)*

1 of Section 14166.4, and the federal disproportionate share
2 hospital allocation determined under Section 14166.6, shall not
3 exceed the hospital's baseline funding amount or adjusted
4 baseline funding amount, as appropriate.

5 *(B) In the case of a designated public hospital that is part of a*
6 *hospital system containing multiple designated public hospitals*
7 *licensed to the same governmental entity, the total amount of the*
8 *payments made pursuant to this subdivision shall be considered*
9 *to have satisfied the limitation described in subparagraph (A) if*
10 *the sum of the allocations made under this section to the*
11 *hospitals in that hospital system, in combination with the sum of*
12 *all other payments described in subparagraph (A) made to the*
13 *hospitals in that system, does not exceed the sum of the*
14 *individual baseline funding amounts or individual adjusted*
15 *baseline funding amounts, as appropriate, for the hospitals in*
16 *that system.*

17 (2) The department shall establish the amount of the safety net
18 care pool payment described in paragraph (1) for each designated
19 public hospital in a manner that maximizes federal Medicaid
20 funding to the state during the term of the demonstration project.

21 (3) A safety net care pool payment amount may be paid to a
22 designated public hospital, or governmental entity with which it
23 is affiliated, pursuant to this section independent of the amount of
24 uncompensated Medi-Cal and uninsured costs that is certified as
25 public expenditures pursuant to Section 14166.8, provided that,
26 in accordance with the Special Terms and Conditions for the
27 demonstration project, the recipient hospital does not return any
28 portion of the funds received to any unit of government,
29 excluding amounts recovered by the state or federal government.

30 (4) In establishing the amount to be paid to each designated
31 public hospital under this subdivision, the department shall
32 minimize to the extent possible the redistribution of federal funds
33 that are based on certified public expenditures as described in
34 paragraph (3).

35 (b) Each designated public hospital, or governmental entity
36 with which it is affiliated, shall receive the amount established
37 pursuant to subdivision (a) in quarterly interim payments during
38 the project year. The determination of the interim payments shall
39 be made on an interim basis prior to the start of each project year,
40 except that, with respect to the 2005–06 project year, the

1 determination of the interim payments shall be made prior to
2 January 1, 2006. The department shall use the same cost and
3 statistical data that is used in determining the interim payments
4 for Medi-Cal inpatient hospital services under Section 14166.4
5 and for the disproportionate share hospital allocations under
6 Section 14166.6, for the corresponding period.

7 (c) (1) No later than April 1 following the end of the project
8 year, the department shall undertake an interim reconciliation of
9 the payment amount established pursuant to subdivision (a) for
10 each designated public hospital using Medicare and other cost,
11 payment, and statistical data submitted by the hospital for the
12 project year, and shall adjust payments to the hospital
13 accordingly.

14 (2) The final payment to a designated public hospital for
15 purposes of subdivision (b) and paragraph (1) of this subdivision,
16 shall be subject to final audits of all applicable Medicare and
17 other cost, payment, and statistical data for the project year, and
18 the distribution priorities set forth in Section 14166.20.

19 (d) (1) Each designated public hospital, or governmental
20 entity with which it is affiliated, shall be eligible to receive
21 additional safety net care pool payments above the baseline
22 funding amount or adjusted baseline funding amount, as
23 appropriate, from the Health Care Support Fund, established
24 pursuant to Section 14166.21, for the project year in accordance
25 with the stabilization funding determination for the hospital made
26 pursuant to Section 14166.75.

27 (2) Payment of the additional safety net care pool amounts
28 shall be subject to the distribution priorities set forth in Section
29 14166.21.

30 SEC. 4. This act is an urgency statute necessary for the
31 immediate preservation of the public peace, health, or safety
32 within the meaning of Article IV of the Constitution and shall go
33 into immediate effect. The facts constituting the necessity are:

34 In order to implement the Medi-Cal Hospital/Uninsured
35 Demonstration Project and preserve the financial viability of the
36 state's safety net hospitals as soon as possible, it is necessary that
37 this act take effect immediately.